

Opportunity Beyond Volatility

2026 MARKET OUTLOOK

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To 2026: Building a Richer Future with our Clients

As we look forward to next year — and reflect on 2025 — we are immensely proud of everything that has been achieved at Fordel over the past twelve months.

It is less than a year since we launched Fordel, born out of the Family Office business established in 2020. As Ireland's new go-to wealth manager for high-net-worth business owners, entrepreneurs, professionals and retirees, we are building Fordel on the principles of clear and transparent advice, tailored to the unique needs of Irish investors.

We hope that our contribution to the dialogue around wealth and financial matters in Ireland — including publications such as this **2026 Market Outlook** and other thought-leadership pieces published during 2025 — provides an engaging and thought-provoking perspective for our audience.

None of Fordel's success over the past year would have been possible without the confidence placed in us by our valued clients, referrers and industry partners. We thank you sincerely for your trust, engagement and support.

We are pleased to share our 2026 Market Outlook, which we hope provides an insightful perspective on the global investment landscape and the key themes we believe will shape the year ahead.

On behalf of the entire Fordel team, we wish you and yours every best wish for a happy, healthy and prosperous New Year.



Stephen Felle
Chief Executive



Ollie Moloney
Chief Investment Officer

Fordel 2026

Market Outlook

Where do markets stand at the end of 2025?

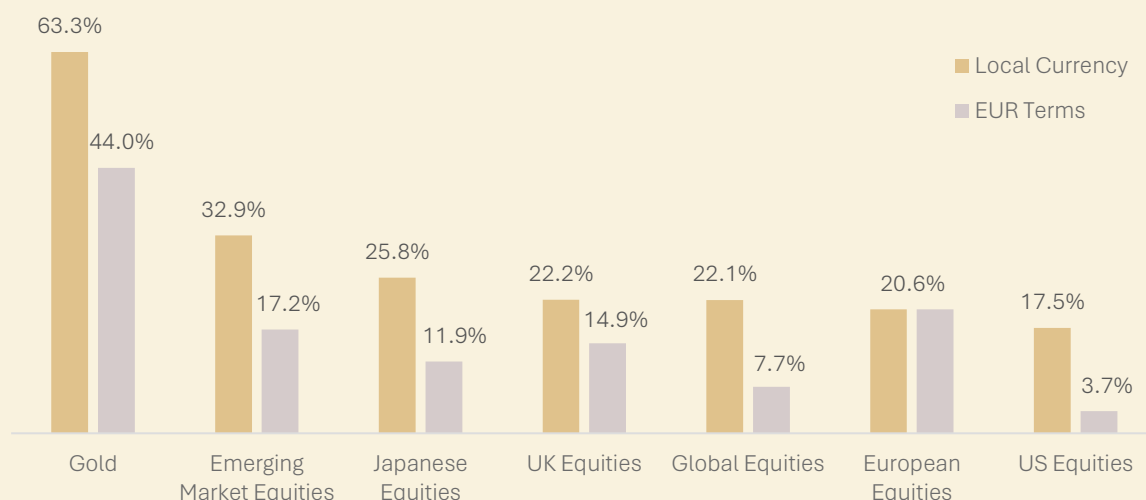
Markets are heading to year end after a positive 2025. Despite some major disruption with Trump tariffs in March/April time, markets have continued their upward trajectory throughout 2025. Global equities are now on their 9th straight month of positive returns (in USD terms) leaving them up 22% for the year at the time of writing.

Virtually all major regions (UK, US, Europe, Japan) are up to the tune of between 17 and 25% in local currency terms, with the exception coming from Emerging Markets which are up over 33% in 2025.

The backdrop of stabilising inflation, falling rates, and general positive economic data has allowed equities to march higher during the year with relatively few surprises.

For Euro investors the major headwind to returns has been in the US Dollar. The greenback has depreciated by over 13% versus the Euro which has counteracted strong equity market returns. To put numbers on this, while the S&P 500 has returned 17.5% in USD terms, a Euro investor only experienced a 3.7% return when translated back to their domestic currency.

GOLD AND EQUITY MARKET RETURNS: USD VS EUR



Source: Refinitiv. Data to the 12/12/2025. Performance data in local currency terms.

That now makes it three years in a row of strong equity market returns which has been positive for investors in risk assets, however, this now leaves us in a situation where the narrative in the market is now more focused on valuations and equity market bubbles.

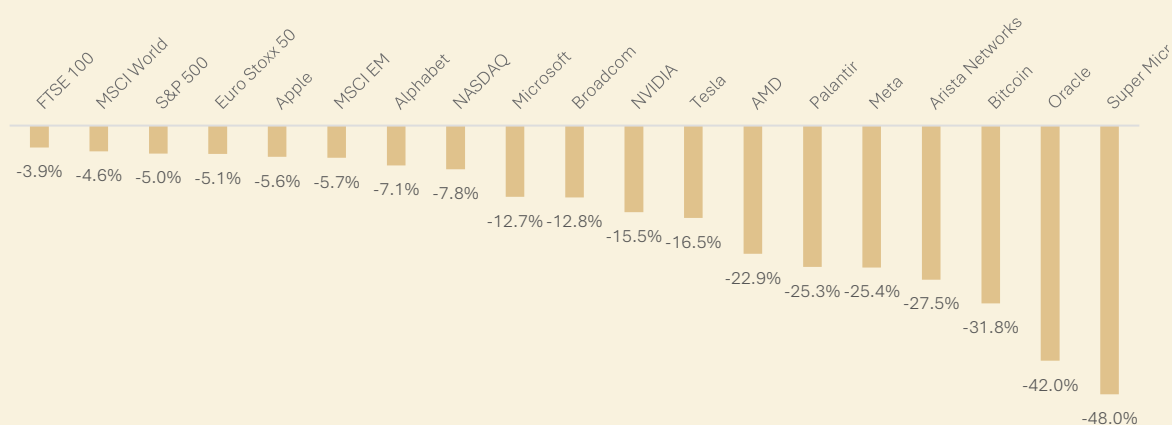
As we discussed in our market insight in late October (“Evaluating Bubble Risk for Equity Investors”), we believe certain stock specific exposures and sectors may be in a bubble, however the overall market is not. Valuations in the US are high, while other regions remain in or around their longer-term averages. Concentration remains a concern, but we are not overly fearful about the Magnificent 7 stocks. They may well underperform considering valuation headwinds, but we do not see a long term unwind of those companies which remain profitable and high quality.

In the coming pages we will discuss some of the key trends we see dominating markets in 2026 and what that means for the long-term investor.

How might an AI driven sell off manifest in markets?

We have seen some evidence of how an AI driven sell-off might occur, and in our view, it was an orderly sell down of riskier parts of the market. The riskier or more concentrated the asset, the more it fell. The graph below highlights the peak to trough sell-offs in selected equity indices, stocks, and Bitcoin.

SELL- OFFS IN SELECTED EQUITY INDICES, STOCKS AND BITCOIN



Source: Refinitiv. Data to the 12/12/2025. Performance data in local currency terms.

As you can see, at an index level the fall in prices was not overly dramatic (4/5%) while some AI focused names fell between 20 and 40%. We believe this market action may well rear its head again in 2026. It is those stocks and assets that have less fundamental grounding that will fall the sharpest on any volatility in markets. This highlights the benefit of maintaining a diversified balanced

portfolio going forward.

What are the key trends to watch out for in 2026?

1. Falling rates and the rotation back into equities

As global interest rates continue to trend lower, investors are increasingly reallocating capital from money market funds, cash and bonds back into equities. This transition is being shaped by a divergence in monetary policy: the US and UK are cutting rates, Europe is broadly on hold, and Japan is cautiously hiking. The overall effect remains supportive for risk assets, as falling cash and bond yields reduce the opportunity cost of holding equities and support relative equity valuations in the short term.

The Investment Company Institute (ICI), which is a leading trade association representing the asset management industry in the US, have recently reported that there is about \$7.6 trillion in Money Market Fund assets. In addition to these are traditional cash assets, government bond holdings, plus international equivalents that have built up since 2022/3.

2. Volatility amid high valuations

Periods of volatility are likely given elevated equity valuations and crowded positioning in certain sectors and stocks. However, while sell-offs may happen quickly, we do not expect them to be prolonged. Liquidity remains ample, earnings fundamentals are resilient, and market dips are likely to be met with buying interest, resulting in relatively quick recoveries rather than sustained drawdowns.

It's also worth remembering that drawdowns are a normal part of the equity market cycle. Markets can and do correct, but they have consistently shown an ability to recover and grow over time. The greater long-term risk is often not being invested at all and trying to time the "perfect entry point", which has historically cost investors more than staying invested through bouts of volatility.

PERFORMANCE FOLLOWING GLOBAL EQUITY MARKET LOW POINTS

Event	Max Drawdown	Low Point	Subsequent 4 Week Return
Covid	-34.0%	23 Mar 20	24.8%
Global Financial Crisis	-57.5%	09 Mar 09	23.6%
Dot Com Crash	-48.8%	09 Oct 02	16.6%
Trump Tariffs	-16.5%	08 Apr 25	13.5%
Gulf War, Oil Spike, Recession	-24.0%	25 Oct 90	9.4%
Inflation & Rate Hikes	-25.8%	12 Oct 22	6.1%
Black Monday	-20.4%	14 Dec 87	4.4%
Average	-32.4%		14.1%

Source: Refinitiv. Data to the 12/12/2025. Performance data in USD terms.

Markets rose sharply in the weeks following their low point. In practice, investors can find it emotionally difficult to buy equities when fear is at its highest point. The most common response is to wait until markets stabilise or settle before buying back in. Quite often the days and weeks after a trough in the market, equities recover quickly.

On average global equities rallied by over 14% in the four weeks following a market low point. Avoiding a drawdown must be taken hand in hand with missing part of the subsequent recovery.

3. AI and innovation leadership

AI and broader innovation themes are expected to remain firmly in focus, continuing to attract capital and shape market leadership. Focus will slowly shift beyond initial hype toward monetisation, productivity gains and infrastructure build-out, reinforcing AI's role as a long-term growth driver. As a result, this sector is likely to stay "in fashion," during 2026. Expect more volatility in this area as investors slowly move from the hype phase into trying to find the real winners and losers from an earnings perspective.

4. Economic security as an investment theme

Rising geopolitical tension and supply-chain fragility are pushing governments to prioritise economic security. This is driving investment into defence, energy security, national infrastructure and strategically important industries. These areas benefit from long-term policy support, increased public spending and a renewed emphasis on domestic resilience, making them structurally attractive.

5. More reasonable valuations outside AI and Tech

While parts of the AI and technology sectors trade at elevated multiples, many other sectors and regions are priced much more reasonably. Certain sectors and several international markets now reflect a more normal equity backdrop, offering diversification and potential upside as earnings broaden. This valuation dispersion supports a rotation toward underappreciated areas of the market which may perform well even as the US, AI, or technology sectors struggle. Ultimately the risk/reward balance skews better when valuations are lower.

6. Inflation's structural shift

Inflation is expected to remain structurally higher and more volatile than in the pre-pandemic era, challenging the role of cash and traditional bonds in preserving purchasing power. At current yields, these assets look less attractive on a real return basis compared to a year ago. This environment strengthens the case for diversification into equities, real assets and commodities, which can offer better long-term protection against inflation and enhance portfolio resilience.

What does that mean for Equity markets in the year ahead?

Our view is that despite significant uncertainty on the valuation front, markets head into 2026 without a clear catalyst for a broad-based sell-off and are likely to provide positive returns for 2026. However, we would note that returns are unlikely to be in the same region of 10-20% that investors have been accustomed to for the past number of years and more likely to be in single digits.

The interest rate environment is likely to be supportive of risk assets as the FED and the Bank of England continue to cut interest rates.

The build up in cash, money market funds, and short duration bond exposure is also likely to be supportive of equities in the short term with significant assets ready to rotate into equity markets.

We acknowledge the valuation risks which could result in more volatility than we have seen in recent years, however we believe these bouts may be short lived.

This mirrors consensus in the market which views 2026 as a positive year for equity markets. Of the major investment strategists across Wall Street, they are predicting an increase of 11.4% in the S&P 500 for the calendar year.

MAJOR BANKS' S&P 500 TARGETS IN 2026

Bank / Institution	2026 S&P 500 Target	Implied Upside
Deutsche Bank	8,000	17.2%
Capital Economics	8,000	17.2%
Morgan Stanley	7,800	14.2%
Wells Fargo	7,800	14.2%
RBC Capital Markets	7,750	13.5%
Yardeni Research	7,700	12.8%
Citi	7,700	12.8%
UBS	7,500	9.9%
HSBC	7,500	9.9%
JPMorgan	7,500	9.9%
Barclays	7,400	8.4%
CFRA	7,400	8.4%
Société Générale	7,300	6.9%
Bank of America	7,100	4.0%
Current S&P 500 Level	6,827	
Average Upside	11.4%	

Source: Refinitiv & various bank publications. Data to the 12/12/2025. Performance data in USD terms.

While short term predictions are little more than guess work it does highlight that on balance the economic and monetary backdrop is likely to support equities in 2026. Of course, any number of risk factors could still come to the fore in the coming months but for now the case for these should not be in focus for long-term investors.

What actions should investors take to prepare for 2026?

Bringing that back into practical steps an investor can take as we move into the new year, we believe the following to be a good basis to start from:

1. **Stay Invested:** For those already invested, who have most likely gained from strong market performance over the past 2/3 years, Fordel does not recommend any changes to their long-term strategy at this time.
2. **Revisit your Financial Plan:** Review of overall risk profile, liquidity buffers, and portfolio exposures across all your pensions and investments. Ensure that any equity drawdown will not impact on your financial plan.
3. **Review Risk:** Review your current allocations across your investment accounts to ensure you are not over allocated to any one sector and/or region.
4. **Control Behaviours:** Take a step back from the noise and focus on controlling behaviours. There are always reasons not to invest, which can often distract from long term financial plans and investment strategies.
5. **Costs & Charges:** Be sure to check your 2025 costs and charges disclosures in detail as you head into 2026. Costs are one of the biggest unnecessary drags on investment performance over the long term. With lower returns expected going forward, costs have become a critical consideration.
6. **Plan for 2026:** For those holding cash and hoping for a better entry point to equity markets, Fordel recommend planning now for any investments you may make in 2026. Market downturns are often sharp and recover quickly.

Our team is here to help you understand how the current market environment may impact on your portfolio or wider financial circumstances.

If you have any concerns, we're always happy to discuss them. Please get in contact with your Fordel Wealth Manager or reach out to us via the www.fordel.ie website on the details below.

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